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C O N F I D E N T I A L SECTION 01 OF 03 KAMPALA 000909

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TAGS: [PHUM](#) [PGOV](#) [KCRM](#) [UG](#)
SUBJECT: UGANDA: CORRUPTION SCANDAL'S POLITICAL
RAMIFICATIONS

Classified By: P/E Chief Kathleen FitzGibbon for reasons 1.4 (b) and (d).

¶1. (C) Summary: The arrests of former health officials implicated in an immunization fund scandal has set in motion a chain of events with an uncertain outcome and potentially damaging implications for the Museveni family and other key political actors. Military and police arrested two former Health Ministry officials, Mike Mukula and Alex Kamugisha, on May 22 and Alice Kaboyo, a ruling party mobilizer from State House, on May 23 in connection with a misappropriation of \$900,000 earmarked for the immunization of children from the Global Alliance for Vaccine and Immunization (GAVI). Former Health Minister Jim Muhwezi turned himself in to police on May 28. Muhwezi and Kaboyo claim that President Museveni directed them to use the funds to mobilize support for the Constitutional referendum and ruling party campaigns. The move against Muhwezi was surprising given his ties and rumors of incriminating evidence against the President. End Summary.

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IMMUNIZATION FUND SCANDAL
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¶2. (C) In January 2006, President Museveni requested that the Inspector General of Government (IGG) investigate former Health Minister Jim Muhwezi and several others involved in expenditures related to the Global Alliance for Vaccine and Immunization (GAVI). First Deputy Prime Minister Eriya Kategaya told PolChief that Museveni had asked the Permanent Secretary of Health how much money had been used to fund the

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Constitutional referendum and National Resistance Movement (NRM) campaigns in 2005 and 2006. Museveni reportedly was astounded to find out that the money spent was three times bigger than he expected. He ordered the IGG to investigate the fund. Kategaya and another Cabinet official said that Museveni was furious with Muhwezi, with whom his relationship had badly soured, but who continued to receive protection from First Lady Janet Museveni. The President also was surprised to learn the extent to which Janet Museveni was involved with the misappropriation. In the case of Mukula, Museveni was angry that he had failed to deliver constituencies to the ruling NRM in Teso during the elections, despite having been given funds to mobilize party support.

¶3. (C) On April 30, 2007 Justice Faith Mwondha submitted the IGG's findings to Museveni. She told emboffs during a meeting with DAS Swan that she asked Museveni how to proceed. The investigation reportedly implicated three former health ministers and two government officials in the misuse of funds for the immunization of children. Regime insider Jim

Muhwezi, Mike Mukula, Alex Kamugisha, and First Lady Janet Museveni's niece, Alice Kaboyo were implicated. The IGG report accused the officials of abuse of office, theft, and causing financial loss in failing to account for \$900,000 out of \$4.6 million of funds from the GAVI. The local media picked up on the story and began speculating that the IGG was going to arrest Muhwezi and the former ministers of state. On May 4, Muhwezi, himself a lawyer, filed a petition in the Constitutional Court to block Museveni's alleged order to arrest him. Muhwezi's petition argued that the presidential directive for Muhwezi's arrest was illegal because the IGG is Constitutionally-mandated to exercise its powers independent of any other government institution.

¶4. (C) In response, Museveni swore an affidavit in the Constitutional Court disputing claims made by Muhwezi and Kaboyo on May 16. The President denied interfering with the IGG investigation. However, IGG Mwondha told us that she had requested a letter from Museveni directing her to arrest the suspects. An alleged copy of this letter from Museveni to Mwondha circulated in Parliament on May 17. On May 18, the IGG signed the arrest warrants for the implicated officials.

¶5. (C) The arrest warrant for Alice Kaboyo surprised many Ugandans because she was raised in the Museveni household and took care of the Museveni children. Kaboyo turned herself in to police on May 23. She claimed the misappropriated funds were used for the NRM to mobilize support for the campaigns for the Constitutional Referendum on term limits in 2005 and the Presidential and parliamentary campaigns in 2006. She submitted a list of 110 individuals and 80 organizations that received the funds. According to Kaboyo, she acted on personal conversations with President Museveni. Sources close to the investigation indicate that Kaboyo is prepared to outline a pattern of informal dealings with Museveni which demonstrate that presidential directives were often made verbally.

KAMPALA 00000909 002 OF 003

¶6. (C) Jim Muhwezi was in London at the time of the arrests. When the military police arrived at Parliament to arrest him, Speaker of Parliament Sekandi produced Muhwezi's application for sick leave dated May 17. Muhwezi returned to Uganda on May 28 and turned himself into police. He was remanded to Luzira Prison, but has sought bail. Mukula and Kamugisha were granted bail on May 25. Kaboyo's hearing is May 29.

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A FAMILY AFFAIR
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¶7. (C) Many Ugandans were happy to see Muhwezi and Mukula, members of the so-called "mafia", arrested for corrupt activities. The plundering of health funds destined to immunize children is considered particularly odious. The arrests, however, appear to be tied to internal family and party score-settling, according to some NRM insiders, Cabinet members, parliamentarians, and journalists. The following are some of the explanations and potential implications that are circulating.

¶8. (C) Too Much or Inefficient Corruption. Kategaya and Musa Ecweru, Minister of State for Relief and Disaster Preparedness, told P/E Chief the core issue was that Muhwezi, Mukula, and Kamugisha took more money than they had been authorized and failed to account for it. Muhwezi had been found "not politically responsible" in a Cabinet white paper follow-up on the Global Fund Investigation report in March. According to the Kategaya and Ecweru, the debate within the Cabinet over Muhwezi's fate was heated, but that ultimately a majority of ministers rallied behind Muhwezi because they themselves could be implicated for corrupt activities. The President accepted the Cabinet recommendation, but still wanted to find a way to "clip Muhwezi's wings." The

President decided that the use of the immunization fund for personal gain would provide a strong case against Muhwezi.

¶9. (C) Succession Politics. Another possibility, and not excluded by other theories, was that the arrests were an attempt by President Museveni to remove potential successors.

This includes both Jim Muhwezi and First Lady Janet Museveni. Both have presidential ambitions and both profited beyond Museveni's expectations from the embezzlement.

Muhwezi's financial independence, alleged ties to the Forum for Democratic Change's Kizza Besigye, and the perception that he was advancing his own political ambitions rather than the ruling party's could have contributed to the decision to arrest him at this time. Several Cabinet members say that Muhwezi, the former Chief of Military Intelligence, has been allowed to get away with corrupt activities because he has files on key political players and the First Family and has threatened to use them.

¶10. (C) Unraveling of the NRM. A related issue is Museveni's problems with his own ruling party, which have made the return to multiparty rule particularly difficult for the President. Younger party members, who Museveni considers disloyal and ungrateful, have extracted significant concessions from Museveni in parliament over car allowances, other perks and privileges, and substantive issues such as the Mabira Forest. Museveni's action against Muhwezi, who alleges that he was authorized to use the funds to bankroll the Constitutional referendum and other NRM campaigns, could further weaken Museveni's grip on the party. NRM parliamentarians rallied around Muhwezi. The week before the arrest, Muhwezi sold land to a group of 70 parliamentarians in exchange for cash amounting to 1.6 billion shillings. The NRM-dominated Parliament also selected Muhwezi to head the Parliamentary Group for the Commonwealth Heads of Government Meeting. One Cabinet member told PolChief that there are signs of other politicians rallying to Muhwezi's side because they fear they could be next in line for an arrest warrant. Ecweru posted Mukula's bond to demonstrate ethnic solidarity.

The NRM ministers' willingness to blame the top civil servants, who diverted funds under orders from them, could slow down government business if the distrust between party and technocrats increases.

¶11. (C) War on Corruption. The President's political advisors say that corruption related to the Global Fund for HIV/AIDS and now the immunization fund could no longer be tolerated. The international donors were pressing for action against those responsible for stealing the funds and demanding improved accountability. Government critics charge that the arrests were timed to demonstrate political will to fight corruption in advance of the upcoming Commonwealth Heads of Government Meeting. An Internal Security

KAMPALA 00000909 003 OF 003

Organization officer said that Museveni's willingness to give an affidavit was an indication of how important Muhwezi's prosecution was to demonstrating to other ministers that no individual was above the law. Kategaya was concerned that Museveni and the Government's legal team do not have a well-thought out legal strategy and that the case would be tied up in courts for years.

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COMMENT
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¶12. (C) The arrests are generating a significant amount of speculation regarding the future of the ruling party and implications for the war on corruption. Many political contacts and other Western diplomats are wondering if Museveni has a clear game plan, desired outcome, or defined roles for the IGG and public prosecutors. We need to know more about the precipitating event that led to the arrests to determine which way this story will unfold. We hope that the arrests lead to good outcomes vis-a-vis the war on

corruption. However, it is the unintended consequences of Museveni's actions that could have lasting implications for the survival of the ruling party and stability of Uganda.

CHRITTON